

DOLE FOOD CO INC  
Form 10-Q  
May 03, 2012  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

x

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 24, 2012**

**or**

..

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to  
Commission file number 1-4455**

**Dole Food Company, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of*

*incorporation or organization)*

**One Dole Drive, Westlake Village, California 91362**

*(Address of principal executive offices and zip code)*

**99-0035300**

*(I.R.S. Employer*

*Identification No.)*

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**Registrant's telephone number, including area code:**

**(818) 879-6600**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at April 30, 2012
Common Stock, \$0.001 Par Value	88,946,386

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**Table of Contents****PART I.****FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	<b>Quarter Ended</b>	
	<b>March 24, 2012</b>	<b>March 26, 2011</b>
	<b>(In thousands, except per share data)</b>	
Revenues, net	\$ 1,626,610	\$ 1,686,104
Cost of products sold	(1,455,759)	(1,479,343)
Gross margin	170,851	206,761
Selling, marketing and general and administrative expenses	(127,312)	(124,730)
Charges for restructuring (Notes 3)	(1,331)	(2,755)
Gain on asset sales (Note 7)	4,203	
Operating income	46,411	79,276
Other income (expense), net (Note 2)	3,008	(39,351)
Interest income	849	1,318
Interest expense	(30,836)	(35,470)
Income from continuing operations before income taxes and equity earnings	19,432	5,773
Income taxes	(3,858)	(5,140)
Earnings from equity method investments	1,603	1,210
Income from continuing operations, net of income taxes	17,177	1,843
Income (loss) from discontinued operations, net of income taxes	(33)	202
Net income	17,144	2,045
Less: Net income attributable to noncontrolling interests	(777)	(1,005)
Net income attributable to shareholders of Dole Food Company, Inc.	\$ 16,367	\$ 1,040
Earnings per share Basic and Diluted (Note 15):		
Income from continuing operations	\$ 0.20	\$ 0.02
Net income attributable to shareholders of Dole Food Company, Inc.	\$ 0.19	\$ 0.01

See Accompanying Notes to Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)**

	<b>Quarter Ended</b>	
	<b>March 24, 2012</b>	<b>March 26, 2011</b>
	<b>(In thousands)</b>	
Net income	\$ 17,144	\$ 2,045
Net foreign currency translation adjustment	4,953	10,903
Unrealized hedging gains (losses), net of income taxes of \$1,636 and (\$578)	52,772	(1,083)
Reclassification of realized losses to net income, net of income taxes of (\$199) and \$301	2,617	4,975
<b>Comprehensive income</b>	<b>77,486</b>	<b>16,840</b>
Less: Comprehensive income attributable to noncontrolling interests	(780)	(1,008)
<b>Comprehensive income attributable to shareholders of Dole Food Company, Inc.</b>	<b>\$ 76,706</b>	<b>\$ 15,832</b>

See Notes to Condensed Consolidated Financial Statements

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**DOLE FOOD COMPANY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	March 24, 2012	December 31, 2011
	(In thousands, except per share data)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 105,736	\$ 122,348
Restricted cash	6,178	6,230
Receivables, net of allowances of \$32,512 and \$32,237, respectively	738,782	685,094
Inventories	877,031	829,517
Prepaid expenses and other assets	64,260	65,331
Deferred income tax assets	26,051	26,184
Assets held-for-sale (Note 7)	23,936	75,641
<b>Total current assets</b>	<b>1,841,974</b>	<b>1,810,345</b>
Investments	101,538	99,469
Actively marketed land (Note 7)	74,814	74,814
Property, plant and equipment, net of accumulated depreciation of \$1,172,073 and \$1,150,304, respectively	900,745	910,729
Goodwill	412,715	416,862
Intangible assets, net	739,654	732,013
Other assets, net	257,223	225,839
<b>Total assets</b>	<b>\$ 4,328,663</b>	<b>\$ 4,270,071</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 501,303	\$ 452,049
Liabilities related to assets held-for-sale (Note 7)		49,117
Accrued liabilities	521,487	540,479
Current portion of long-term debt, net	10,544	10,756
Notes payable	56,438	27,969
<b>Total current liabilities</b>	<b>1,089,772</b>	<b>1,080,370</b>
Long-term debt, net	1,625,833	1,641,112
Deferred income tax liabilities	184,989	181,677
Other long-term liabilities	529,643	548,491
Commitments and contingencies (Note 14)		
Shareholders' equity		
Preferred stock \$0.001 par value; 10,000 shares authorized, none issued or outstanding		
Common stock \$0.001 par value; 300,000 shares authorized, 88,952 shares issued and outstanding as of March 24, 2012 and December 31, 2011	89	89
Additional paid-in capital	789,204	786,355
Retained earnings	125,809	109,442
Accumulated other comprehensive income (loss)	(43,043)	(103,382)
<b>Equity attributable to shareholders of Dole Food Company, Inc.</b>	<b>872,059</b>	<b>792,504</b>
Equity attributable to noncontrolling interests	26,367	25,917

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Total equity	898,426	818,421
Total liabilities and equity	\$ 4,328,663	\$ 4,270,071

See Accompanying Notes to Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Quarter Ended	
	March 24, 2012	March 26, 2011
	(In thousands)	
<b>Operating Activities</b>		
Net income	\$ 17,144	\$ 2,045
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	23,624	23,353
Share-based compensation expense	2,849	1,865
Net (gains) losses on financial instruments	(10,751)	38,015
Asset write-offs and net (gain) loss on sale of assets	(4,158)	2,323
Earnings from equity method investments	(1,603)	(1,210)
Amortization of debt discounts and debt issuance costs	2,527	2,615
Provision for deferred income taxes	(67)	(4,937)
Pension and other postretirement benefit plan expense	5,158	4,576
Other	(370)	
Changes in operating assets and liabilities:		
Receivables	(48,146)	(78,613)
Inventories	(47,447)	(61,245)
Prepaid expenses and other assets	(3,877)	4,348
Income taxes	(2,262)	5,246
Accounts payable	59,080	39,050
Accrued liabilities	(4,171)	(19,866)
Other long-term liabilities	(1,811)	(4,448)
Cash flow used in operating activities	(14,281)	(46,883)
<b>Investing Activities</b>		
Cash received from sales of assets and businesses, net of cash disposed	21,879	2,597
Business acquisitions, net of cash acquired	(14,474)	
Capital expenditures	(13,996)	(17,260)
Restricted cash and deposits	52	39,773
Other	(430)	(250)
Cash flow provided by (used in) investing activities	(6,969)	24,860
<b>Financing Activities</b>		
Short-term debt borrowing (repayments), net	30,794	(6,757)
Long-term debt borrowings	298,836	138,221
Long-term debt repayments	(316,973)	(138,966)
Dividends paid to noncontrolling interests	(180)	(180)
Settlement of long-term Japanese yen hedge forwards	(8,687)	
Cash flow provided by (used in) financing activities	3,790	(7,682)
Effect of foreign currency exchange rate changes on cash	848	2,136
Decrease in cash and cash equivalents	(16,612)	(27,569)
Cash and cash equivalents at beginning of period	122,348	170,147



Cash and cash equivalents at end of period	\$ 105,736	\$ 142,578
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**DOLE FOOD COMPANY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**(Unaudited)**

***Supplemental cash flow information***

At March 24, 2012 and December 31, 2011, accounts payable included approximately \$2 million and \$12.3 million, respectively, for capital expenditures. Of the \$12.3 million of capital expenditures included in accounts payable at December 31, 2011, approximately \$4.3 million had been paid during the quarter ended March 24, 2012. Approximately \$9.4 million had been paid during the quarter ended March 26, 2011 related to \$18.3 million of capital additions included in accounts payable at January 1, 2011.

During the first quarter of 2011, Dole effectively extinguished its cross currency swap liability by entering into a series of Japanese yen forward contracts ( long-term Japanese yen hedges ) that mature over a four year period. Refer to Note 12 Derivative Financial Instruments for additional information.

In connection with the sale of a non-core German subsidiary ( German subsidiary ) during the first quarter of 2012, Dole recorded \$29 million as notes receivable, of which \$1 million was included in receivables and \$28 million was included in other assets. Related to the sale, Dole recorded deferred income of \$23.8 million of which \$1 million was included in accrued liabilities and \$22.8 million was in other long-term liabilities. Refer to Note 7 Assets Held-For-Sale and Actively Marketed Land for additional information.

See Accompanying Notes to Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY****(Unaudited)**

	Equity Attributable to Shareholders of Dole Food Company, Inc.								
	Common			Additional		Accumulated Other Comprehensive Income (Loss)		Equity	
	Shares Outstanding	Common Stock	Paid-In Capital	Retained Earnings	Pension & Postretirement Benefits	Cumulative Translation Adjustment	Unrealized Gains (Losses) on Hedges	Noncontrolling Interests	Equity Attributable to
Balance at January 1, 2011	88,611	\$ 89	\$ 776,918	\$ 71,083	\$ (71,836)	\$ 42,067	\$ (26,152)	\$ 24,615	\$ 816,784
Net income				1,040				1,005	2,045
Share-based compensation			1,865						1,865
Issuance of restricted stock	6								
Cancellation of restricted stock	(30)								
Dividends paid								(180)	(180)
Net foreign currency translation adjustment						10,900		3	10,903
Unrealized hedging gains (losses), net of income taxes of (\$578)							(1,083)		(1,083)
Reclassification of realized losses to net income, net of income taxes of \$301							4,975		4,975
Balance at March 26, 2011	88,587	\$ 89	\$ 778,783	\$ 72,123	\$ (71,836)	\$ 52,967	\$ (22,260)	\$ 25,443	\$ 835,309
Balance at December 31, 2011	88,952	\$ 89	\$ 786,355	\$ 109,442	\$ (94,708)	\$ 30,346	\$ (39,020)	\$ 25,917	\$ 818,421
Net income				16,367				777	17,144
Share-based compensation			2,849						2,849
Dividends paid								(180)	(180)
Disposal of noncontrolling interest								(150)	(150)
Net foreign currency translation adjustment						4,950		3	4,953
Unrealized hedging gains (losses), net of income taxes of \$1,636							52,772		52,772
Reclassification of realized losses to net income, net of income taxes of (\$199)							2,617		2,617
Balance at March 24, 2012	88,952	\$ 89	\$ 789,204	\$ 125,809	\$ (94,708)	\$ 35,296	\$ 16,369	\$ 26,367	\$ 898,426

See Accompanying Notes to Condensed Consolidated Financial Statements

**Table of Contents****DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****NOTE 1 BASIS OF PRESENTATION**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Dole Food Company, Inc. and its consolidated subsidiaries ( Dole or the Company ) include all adjustments necessary, which are of a normal recurring nature, to present fairly Dole s financial position, results of operations and cash flows. Dole operates under a 52/53-week year. The quarters ended March 24, 2012 and March 26, 2011 are twelve weeks in duration. For a summary of significant accounting policies and additional information relating to Dole s financial statements, refer to the Notes to Consolidated Financial Statements in Item 8 of Dole s Annual Report on Form 10-K for the year ended December 31, 2011.

Interim results are subject to seasonal variations and are not necessarily indicative of the results of operations for a full year. Dole s operations are sensitive to a number of factors including weather-related phenomena and their effects on industry volumes, prices, product quality and costs. Operations are also sensitive to fluctuations in foreign currency exchange rates in both sourcing and selling locations as well as economic crises and security risks.

In March 2003, Dole completed a going-private merger transaction. As a result of the transaction, Dole became wholly-owned by David H. Murdock, Dole s Chairman. In October 2009, Dole completed a \$446 million initial public offering ( IPO ) of its common stock and received proceeds of \$415 million. Dole s chairman, David H. Murdock, and his affiliates beneficially own 51,710,000 common shares, or approximately 58.1% of Dole s outstanding common shares.

**NOTE 2 OTHER INCOME (EXPENSE), NET**

Included in other income (expense), net in Dole s condensed consolidated statements of operations for the quarters ended March 24, 2012 and March 26, 2011 are the following items:

	<b>Quarter Ended</b>	
	<b>March 24, 2012</b>	<b>March 26, 2011</b>
	<b>(In thousands)</b>	
Unrealized gain (loss) on long-term Japanese yen hedges	\$ 944	\$ (27,405)
Unrealized gain (loss) on foreign denominated borrowings	3,747	(7,566)
Realized loss on foreign denominated borrowings	(329)	(85)
Foreign currency exchange loss on vessel obligation	(1,394)	(2,409)
Unrealized loss on cross currency swap		(3,787)
Realized gain on cross currency swap		1,885
Other	40	16
Other income (expense), net	\$ 3,008	\$ (39,351)

Refer to Note 12 Derivative Financial Instruments for further discussion regarding Dole s long-term Japanese yen hedges and cross currency swap.

**NOTE 3 CHARGES FOR RESTRUCTURING**

As a result of challenging market conditions in Dole s fresh fruit operations, Dole committed to a restructuring plan during the third quarter of 2010 in its fresh fruit segment in Europe, Latin America and Asia ( 2010 plan ). These restructuring efforts are designed to reduce costs by realigning fruit supply with expected demand. As part of these initiatives, Dole restructured certain farming operations in Latin America and Asia, reorganized its European operations and rationalized vessel charters.

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During the third quarter of 2011, Dole committed to further restructure its fresh fruit operations in Europe and Latin America, as well as restructure the fresh vegetables operations in Asia ( 2011 plan ). As part of this

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plan, Dole consolidated certain operations in Europe to reduce overhead, restructured farming operations in Latin America, and further rationalized vessel charters. In addition, Dole ended certain unprofitable contractual arrangements in Asia.

As a result of these various initiatives, Dole expects to realize cash savings in its financial results. These savings are expected to result from lower production costs including lower labor costs on our farms and in our ports, enhanced farm productivity, lower distribution costs resulting from more efficient utilization of our shipping fleet, the termination of unprofitable contractual arrangements, and lower selling and general and administrative costs as a result of streamlining Dole's organization in Europe.

**2010 Restructuring Plan**

Dole incurred restructuring costs of \$0.1 million during the first quarter of 2012, related to the 2010 plan. Dole incurred cumulative restructuring costs of \$41.5 million since the third quarter of 2010 for this plan. Of these costs, \$20.6 million were paid or will be paid in cash, with the remaining amounts related to the non-cash write-down of long-lived assets and deferred crop-growing costs of \$12.9 million as well as pension-related settlement charges of \$8 million. Severance charges relating to employee terminations involved approximately 3,470 employees.

Dole expects to incur additional restructuring charges of approximately \$0.5 million during the remainder of fiscal 2012 related to the 2010 plan. These additional charges will primarily consist of employee severance and contract termination costs. Approximately 110 additional employees are expected to be impacted by these initiatives.

The following table summarizes restructuring charges related to the 2010 plan:

	Charges/ Adjustments Incurred in 2012	Cumulative Charges Incurred	Additional Charges to be Incurred	Total Charges
(In thousands)				
Severance and other employee-related costs	\$ 82	\$ 8,700	\$ 141	\$ 8,841
Contract termination and other costs	(19)	11,898	396	12,294
Pension-related settlement charges		7,982		7,982
Asset write-downs	86	7,597		7,597
<b>Subtotal</b>	<b>149</b>	<b>36,177</b>	<b>537</b>	<b>36,714</b>
Inventory write-downs recorded in costs of products sold		5,294		5,294
	<b>\$ 149</b>	<b>\$ 41,471</b>	<b>\$ 537</b>	<b>\$ 42,008</b>

A rollforward of activity for Dole's restructuring liabilities related to the 2010 plan, which are classified in accrued liabilities in the accompanying condensed consolidated balance sheets, is summarized as follows:

Balance as of	Charges/ Adjustments	Cash Payments	Non-cash	Balance as of March
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	December 31, 2011		(In thousands)		24, 2012	
Severance and other employee-related costs	\$ 85	\$ 82	\$ (82)	\$	\$	\$ 85
Contract termination and other costs						